

The 16 Principles for Successful Change

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Because change management is so vital for business success, it is shocking to contemplate the degree to which it is still an art rather than a science. To make the change process more disciplined and predictable, many practitioners have developed principles for managing change. One organization divides the change process into two categories. The first is planning that anticipates problems that commonly beset change efforts; the second is an executional approach that guides the fragile change process. In light of the oft-reported 70 percent failure rate of change efforts, the development and use of basic principles for managing change is crucial for individuals who assume responsibilities as “Agents of Change.”

Principles for Planning

1. Act Fast to Challenge Assumptions

Managers must learn how to quickly test the value of change ideas, thus avoiding “paralysis-by-analysis” or lengthy planning cycles to develop plans that don’t work anyway. Consider two companies that spent months analyzing problems before finally launching initiatives, with considerable investment and fanfare, only to see them fail because the plans did not challenge fundamental assumptions.

The first, a company with excessively high production costs, implemented a Just-In-Time system modeled on the legendary Toyota Production System. The assumption? Management thought that what worked for others would work for them. The problem? Toyota’s system, which is characterized by a few parts flowing across many dedicated resource, was the opposite of this American company, where many parts flowed across a few shared resources. Trying to emulate the Japanese tied the Americans in knots.

A second company that couldn’t deliver on time was losing customers. Managers blamed poor performance on “outdated” facilities and reasoned that a new factory with greater capacity would allow them to produce more parts faster. Assumption? Increased capacity translates into on-time delivery. Problem? It ain’t necessarily so. Management, not understanding that the original factory had excess capacity which was being misallocated due to ineffective performance measurements, managed the new factory the same way it managed the old one. The new factory simply accelerated the rate at which the company did the wrong things.

Challenge assumptions by acting fast. Take one sheet of paper. Make three columns. In the last column list the unacceptable results in order of importance. In the second column list the behavior that is causing the result. In the third column list the assumptions that drive that behavior. There’s the problem. Attack it until a solution that works is found. Repeat for next problem.

2. Avoid the Urgency Trap

Few companies are proactive about change. Most change in reaction to problems. For this reason, change initiatives begin with two strikes against them, because managers (a) lack experience leading change and are unclear about what works and what doesn’t; and (b), because in the face of pressing problems, managers lack sufficient time to think, plan and execute methodically and effectively.

One company reacting to market share erosion continued to measure efficiency even as it struggled to shift focus to customer satisfaction. Employees, when confronted with a decision whether to operate equipment efficiently or break a setup for a limited run to meet a due date, opted to be efficient by making more of the parts they were already running, although there were no orders for those parts in the near future. Result: a warehouse full of parts that might not be sold for months, highly “efficient” employees and seriously irritated customers.

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Allow time to find and replace the elements in the old approach that are barriers to needed change.

3. Take Management's Attitude into Consideration

Successful change requires support from the top. Change agents must have a plan for securing this support, but first they must determine whether top management is positive, neutral or negative about change. Whatever management's attitude, change agents must have a strategy for working around potential problems. When management is positive, the primary shortcoming is likely to be lack of time managers have to support the effort. Plan the initiative to take full advantage of top management's availability, so they can be visibly involved at key stages of the process.

When management is neutral about change, for example because they lack experience with change and want to distance themselves from possible failure, plan to establish a pattern of quick successes and share the credit with them. This approach will shift attitudes in a positive direction.

When management is negative about change, because the impetus is coming from customers, middle managers, employees, or for some other source, change agents need to create physical evidence that management backs change. For example, get management to remove obstacles or suspend enforcement of procedures that will derail the effort, until the ideas driving change have proved their worth.

4. Never Confuse Technology with Strategy

When customers demand faster deliveries, it is easy to mistake flexible, fast, more precise production equipment as a "strategy" for satisfying customers. Justifying capital expenditures is exciting work for technically savvy managers. Unfortunately, it is almost always a mistake to think hi-tech in the first few years of a change initiative.

Consider one sun-belt company with excessive past due orders. Managers, who were spending half their time on expediting-related activities, decided to install a "state-of-the-art" material release and scheduling system. Assumption? Management felt technology could deal better with problems that had frustrated human beings for years. Problem? The system was unable to compensate for the shortcomings of the production approach. In the end, the new system's unresponsiveness to schedule changes forced employees to devise elaborate tricks for circumventing its limitations.

Management must identify the real problems, which are rarely technical, but which in almost every case have their roots in (a), how employees define doing a good job; (b), what procedures have been instituted to guide work; and (c), how performance is measured and rewarded.

First understand the impact of these three factors on change strategies. Then it is relatively easy to determine what technology, if any, is needed.

5. The Perceived Problem is Rarely the Real Problem.

Engineers at a 100-year-old company replaced "inflexible," old production equipment with modern, "flexible," computer-controlled machines. But the finance department never replaced its performance measurements, so operators ran the new equipment as if their features were no different from the old equipment. Result: expected improvements never materialized, but computer-related costs for training, maintenance and programming escalated.

Improvements materialize only after the expensive new equipment was mothballed (that took courage!) and a mindset change enabled flexible use of the old equipment. The breakthrough came when managers discovered how to calculate Return On Investment based on customer satisfaction, not "labor-saving" measures. This change tapped the flexibility inherent in the old equipment. The real problem was always the counterproductiveness of the old measurements, never the limitations of "inflexible" equipment.

6. Count on Resistance to Change

It is a cliché that change is hard and people resist it. Nonetheless, few managers make adequate plans either to soften the wrenching impact of change or steer the emotions released by change in a positive way. This is a missed opportunity.

Managers must develop a strategy for managing active and passive resistance to change. This step is among the most critical success factors in managing change. Start by looking at it from the employees point of view. Management says: "The company needs to make changes in the way you do your job." Employees' translation: "You're doing a lousy job." Imagine the reaction when employees suddenly learn that they must change work methods, without understanding why change is needed, without having a chance to voice their reactions and concerns, and without being invited to be appropriately involved in the process.

Avoid this problem with communication. Top management should simply let employees know what's going on, the same way they would like to learn about changes that affect them and how they will be expected to participate. It's a simple step, but it takes both thorough planning and time to execute.

7. A Powerful Person Will "Own" the Old Culture.

When markets change, companies must adapt. As agents of change put an organization under the microscope to plan and execute change, unexpected problems emerge, provoking reactions, particularly among powerful people in the organization who have helped shape the existing culture.

For example, a production manager who has controlled the work schedule and methods for a years in a large midwestern plant, resisted the idea that it made more sense for the schedule to be controlled by someone in another department. This manager was a valued member of the organization and had spent his career accepting responsibility and building his authority, which, predictably, he was reluctant to relinquish. He also had a large constituency that supported him.

The most difficult, time-consuming part of the change effort was winning this individual over. However, once won over, his constituency followed.

8. Beware of Sacred Cows

Agents of change will meet a sacred cow, a practice so established, so taken for granted, that it seems heresy to question it. Sacred cows take many forms. In some companies it is the cost-accounting system on which performance measures are based. In other companies it is the notion that a major piece of equipment must be run constantly. In other companies it is the tradition of forecasting, then gearing activities to the forecast budget. In yet other organizations it is the way the potential profitability of new work is calculated and opportunities taken or declined.

There are sacred cows in every organization. Plan putting them out to pasture carefully or a stampede could trample the change effort.

Managers should meditate on these principles as they plan changes; they ignore them at their peril.

Principles for Execution

Managers who have anticipated common pitfalls and planned accordingly, can then think about executing the plan. The secret to successful execution is managing the expectations and involvement of employees in a way that steadily ramps up momentum for change. Bear the next eight principles in mind to accomplish this task.

9. Hedge Your Bets

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Because so much can go so wrong so fast, agents of change should hedge their bets wisely at every phase of the improvement process. The key is to think big, start small, and never let the big picture or the details drift out of focus.

Target changes that can be done quickly, produce results that matter, and be easily understood by employees. Be conservative when defining the scope of initial tasks. Understate benefits and the speed with which they will materialize. Reason: barriers to progress that managers did not anticipate (despite following the eight planning principles) will arise and must be dealt with. Communicate milestones achieved, recognize individual and team efforts, and distribute rewards as appropriate. Repeat for task two, three, and so on.

10. Objectify, Don't Personalize, the Change Process

Make the process the problem, not the people. In one southern company, workers resisted changes management proposed, although the approach had merit. Irritated by the uncooperativeness of employees, the change effort became a contest of wills. Management's ultimatum: my way or the highway. Employees held their ground, so managers began moving manufacturing off shore.

The decision looked easy. Foreign labor was much cheaper and workers were plentiful. But management never thought the move through. They did not plan for foreign labor's low skills, low efficiency and high turnover, not to mention excessive transportation and air-freight costs. Working across different cultures and time zones compounded problems. Also, the responsiveness of local labor, an asset on which management did not know how to place a value, was eliminated by the move and service levels deteriorated.

Had managers adopted an objective approach to managing change, they could have defused unproductive and unnecessary conflicts. Managers thought good ideas were enough, but employees had no chance to see these ideas in action and mistrusted them. A good idea that didn't work was followed by a bad idea that worked even less well. The company is now repatriating off-shore manufacturing.

11. Deal Assertively with Resistance to Change

Agents of change must confront resisters of change. In fact, confronting resistance is the opportunity seasoned agents of change wait for. Resistance to change is not a bad, but a natural thing. Often resisters of change simply don't understand what is happening and speak not only for themselves, but for many others who are not comfortable speaking out. This is an opportunity to build stronger consensus for change by reviewing what is happening and why.

Also, resisters of change often make valid points. This is another opportunity to remove a barrier to acceptance to change. For example, workers at one western plant who were rewarded based on production quantities, were unreceptive to changes that quadrupled set-ups and reduced the number of parts produced ³/₄ even though such actions doubled on-time deliveries. In this case, management's and workers' goals were misaligned. The change process must include an alignment of performance and reward systems with customer requirements.

12. Learn How to Tell Stories

People don't like lectures. But they love stories. Learn how to communicate with stories employees can relate to. At one mid-Atlantic company, employees had been focused on making parts for decades. The customer had no visibility on the shop floor and past-due orders had been a problem for years. Employees here needed to learn how to look at their jobs from the customer's perspective to understand what delivery, quality, service, new features and price meant to the people who really paid their wages.

To get workers to focus on customers, change agents compared customer expectations in terms of a visit to a restaurant. Delivery: did you have to wait in line long to get in, to place an order, to receive your food? Quality: were the atmosphere and food good, were the silverware, table and restrooms clean? Features: did the menu have a wide variety of appealing selections? Service: could you get the attention you needed

This document is © 2000 The Spectrum Publishing Company... Unauthorized duplication is forbidden when you wanted it, was the bill added up correctly? Cost: was the price right? What about hidden costs: were parking and coat check free?

Employees got the message instantly: “Customers want the same things we do when we go to a restaurant, aren’t getting them from us today. Therefore, we must correct this problem.” A simple, but effective analogy.

13. Help People Be Confident and Fearless

Change management is about means (better ideas, systems and measurements) that achieve ends (satisfying customers and making money). To become a better-run company, these better ideas, systems and measurements must be shared by all. When they are, it is relatively easy for managers to assign³and for employees to accept³accountability.

For example, at one company distracted by pursuing both earned-hours efficiency and on-time shipments, it was simply enough to plot on one four-month chart what happens when managers alternated objectives over a series of months. After four months, the performance graph showed that when earned-hours were high, on-time shipments were low. Conversely, when on-time shipments were high, earned-hours were low. Employees knew what actions produced earned hours. They also knew what actions produced on-time shipments. The results were objective and posted for all to see. Once the organization stopped trying to pursue two incompatible goals, and began holding itself to one, customer-relevant measure, performance steadily improved. Suddenly, employees were no longer afraid to let go of the old measurement because the company officially stopped using it. Removing the source of fear represented by the inappropriate measurement engendered confidence about using the single measurement. That confidence, in turn, helped establish momentum for change.

14. Education on Location

It is astonishing how many companies take workers away from their areas and bombard them with abstractions and scary new ideas. It is better for employees to hear new ideas right where they work and start applying them immediately.

For example, at one northeastern firm, training on the value of cutting cycle time in half was brought vividly to life by cutting in half the pallets that delivered the work parts to production cells. A dozen pallets were literally sawed in half before the eyes of the entire shift during the training session. The concept behind the batch-size-reduction training was translated into practice the same day and the source of temptation to work on parts that were not needed immediately was physically removed.

15. Communicate with Results

Results command respect. That’s why the best agents of change structure a process so results can speak for themselves quickly. This makes it continuously easier to overcome resistance, build consensus and gain acceptance of new practices. Agents of change can talk all they want about satisfying customers, but if employees cannot see a connection between their efforts and the outcomes the organization is looking for, support for change will evaporate.

That’s why no-nonsense performance measures are worth their weight in gold. Did the change enable faster, more predictable deliver? Yes or no? If yes, what can we do to deliver even faster? If no, what’s the problem and how do we fix it? When performance measures reflect what matters to customers, the organization will stay focused on making changes that make a difference.

16. Beware the Complacency Trap

Exhibit 2 shows how improvement is possible for organizations that avoid complacency. A northern manufacturer began a change initiative because its delivery performance was less than 60 percent and

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customers were defecting (Data point 1). Phase one changes focused on increasing shelf stock and in three months delivery performance shot from 58 to 80 percent (Data point 2), but inventory costs also skyrocketed.

While this was the best delivery performance in years, profit margins dropped to almost nothing due to inventory expenses. Efforts to reduce inventory drove delivery performance down to 70 percent (Data point 3). The measurement system was changed to de-emphasize labor variance and install on-time shipment as the performance criterion. Performance rebounded to 80 percent (Data point 4), at which time the manager in charge became complacent and relaxed the intensity of the effort (Data point 5).

The manager was reassigned and an internal “champion” who reported directly to the plant manager was appointed (Data point 6). Improvements stalled again at 84 percent because companywide staff did not support the effort. Engineering, purchasing and materials departments felt the effort belonged to manufacturing, not them. The gain eroded (Data point 7). Daily meetings were convened in which staff personnel were assigned tasks and held accountable for fixing them by a negotiated date. Commitments were put in writing and posted. Once staff felt accountable for performance, improvements shot up to 90 percent and better (Data point 8).

Finally, the core cultural problem was flushed out. Middle managers, who had earned their positions as “fire fighters,” saw that the organization was permanently eliminating the source of “fires.” Feeling threatened, they impeded progress in numerous ways, calling in favors and threatening the people making changes with poor annual performance reviews. (Data point 9). This problem was corrected by flattening the hierarchy (those managers were shifted to customer service positions) and the members of the loose daily meetings were formalized into tight cross-functional teams. These team members no longer receive their performance evaluations from their department heads, but from the team leader. In a short time, on-time shipments reached a 95+ percent level (Data point 10).

So: follow these 16 planning and execution principles and change will go smoothly?

Not quite.

The biggest change problem is not making gains, but holding gains once made. The change process is like editing a document in a computer. Once skillful agents of change look at it, it is obvious what needs to be done. However, if changes are not made permanent by executing the “save” command, the work of hours can be lost in an instant as the document snaps back to its original state through a power loss, incorrect command, change of editor, etc. Therefore, the biggest challenge for agents of change is to prevent snap back. There is a “save” button for every organization. It is the responsibility of the agent of change to find that button and keep hitting it every step of the way.

Biography

Albert E. Podzunas, Jr. is a principal of Spectrum-MPI , a change management consulting firm based in Wallingford, Connecticut. Trained as an engineer, he is a frequent speaker at meetings of the Institute of Management Accountants and was an Inc. magazine finalist for Entrepreneur of the Year. During his 20-year career, Podzunas' responsibilities have ranged from shop-floor machine operator to acting president of an \$80-million company.